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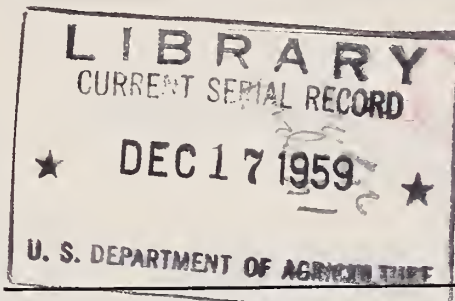
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June 1959
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DEMAND and PRICE SITUATION

DPS-54



Approved by the Outlook and Situation Board, June 23, 1959

SUMMARY

The job situation improved further in May with better than seasonal gains in employment in most industries. The flow of wage and salary payments increased, and personal income reached a new high, 7 percent above a year ago. Unemployment declined to the lowest level in 18 months, and the seasonally adjusted rate, at 4.9 percent of the civilian labor force, was approaching the pre-recession range of 4-4½ percent in 1955-57.

Increased spending by businessmen and consumers have both contributed materially to rising economic activity in recent months. Capital spending in the first quarter was at an annual rate of \$30.6 billion and business plans to spend \$33.4 billion in the third quarter of 1959, 13 percent above a year ago, according to the survey conducted in April and May by the Securities and Exchange Commission and the Department of Commerce. Business also has increased its investment in inventories to handle the record level of sales, even though some accumulation has been in anticipation of a steel strike at midyear. Consumers continue to purchase durable goods and new homes at substantially higher rates than last year, reflecting improvement in their real income and optimism concerning the business outlook. Purchases of nondurable goods

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958		1959			
		Year	May	Feb.	Mar.	Apr.	May
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	134	128	145	147	150	152
All manufactures	do.	136	130	148	150	153	155
Durable goods	do.	142	134	157	160	164	168
Nondurable goods	do.	130	126	139	140	142	143
Minerals	do.	117	108	124	123	123	126
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,980	3,879	4,537	4,544	4,464	4,460
Public construction	Mil. dol.	15,033	6,183	1,417	1,438	1,369	1,361
Private residential	Mil. dol.	17,884	1,348	1,817	1,811	1,803	1,787
Housing starts	Thousands	1,209	1,039	1,403	1,390	1,390	1,340
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	26,246	25,206	28,481	29,106	30,232	
Durable goods	Mil. dol.	12,402	11,643	13,870	14,376	15,123	
Unfilled orders-sales ratio <u>6/</u>		3.57	3.74	3.32	3.29	3.11	
Inventory-sales ratio <u>6/</u>		1.93	2.02	1.75	1.73	1.68	
Durable goods		2.32	2.49	2.05	2.01	1.93	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	64.0	64.1	62.7	63.8	65.0	66.0
Nonagricultural	do.	58.1	57.8	58.0	58.6	59.2	59.6
Unemployment	do.	4.7	4.9	4.7	4.4	3.6	3.4
Workweek in manufacturing	Hours	39.2	38.7	40.0	40.2	40.3	40.5
Hourly earnings in manufacturing	Dollars	2.13	2.12	2.20	2.22	2.23	2.23
Income and spending:							
Personal income payments <u>2/</u> <u>3/</u>	Bil. dol.	354.4	351.4	365.4	369.5	373.2	376.2
Consumer credit outstanding <u>1/</u>	Mil. dol.	45,065	42,985	44,071	44,203	44,916	
Automobile	Mil. dol.	14,131	14,613	14,223	14,375	14,686	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,682	16,562	17,552	17,892	17,953	18,255
Durable goods	Mil. dol.	5,284	5,235	5,868	6,046	6,137	6,104
Inventory-sales ratio <u>6/</u>		1.44	1.44	1.37	1.35	1.36	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	119	120	120	120	120	120
Commodities other than farm and food	do.	126	125	128	128	128	128
Farm products	do.	95	99	91	91	92	91
Foods processed	do.	111	113	108	107	107	108
Consumer price index, all items <u>4/</u>	1947-49=100	124	124	124	124	124	124
Food	do.	120	122	118	118	118	118
Prices received by farmers <u>8/</u>	1910-14=100	250	256	243	244	244	245
Crops	do.	224	232	218	220	223	230
Livestock and products	do.	272	276	265	264	261	258
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	293	295	297	298	299	299
Family living items	do.	287	288	288	287	287	288
Production items	do.	264	266	267	267	269	268
Parity ratio <u>8/</u>		85	87	82	82	82	82
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	123	95	104	100	96	98
Cash receipts from farm marketings	Mil. dol.	33,206	2,286	2,242	2,190	2,153	2,300

Annual data for most of these items for the years 1929 and 1939-58 appear on page 35 of the April 1959 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, June 23, 1959

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also have increased. Sales at food stores in May were about 1 percent above last year even though prices currently are about 3 percent lower. The farmers' share of the consumers' food dollar in the first quarter of 1959 was 39 cents down 2 cents from a year earlier.

While our domestic economy is moving ahead rapidly, foreign demand for U. S. products continues to lag. U. S. exports for the first 10 months of this fiscal year were 9 percent below the same period in 1957-58. Declines have occurred in both agricultural and industrial commodities. Most of the drop in agricultural exports is due to a 50 percent cut in cotton. The largest declines in industrial products have occurred in metals and automobiles.

Prices received by farmers have moved in a very narrow range this spring but have averaged below a year earlier. Cash receipts from farm marketings in the first 5 months of 1959 were 2 percent above the same period of 1958. Larger marketings, particularly of hogs, poultry, grains and soybeans more than offset lower average prices. Between mid-April and mid-May prices averaged a little higher due mostly to sharp increases in some vegetables and fruits which were partially offset by seasonal declines in milk and lower prices for eggs. Farm land values rose 8 percent in the year ending March 1 with increases noted in every State.

Crop production prospects are generally good to excellent, based on June 1 conditions, but somewhat below last year. Wheat production is expected to be about a fifth below the record crop last year but still well above the 1948-57 average. A near average hay crop is in prospect and pastures and

ranges for the country as a whole are mostly in good to excellent condition. Prospects for deciduous fruits were generally favorable with larger peach, apple and most California-produced fruit crops expected than last year.

The first estimate of total crop production will be released in the July Crop Report of the Department of Agriculture.

Commodity Highlights

Hog prices will probably remain below 1958 levels this summer and fall. Fed cattle prices are expected to be near or a little above last year's level.

Milk production in the first 5 months of 1959 was slightly less than that of a year ago, in the remainder of the year output in some months may equal or exceed last year's level.

Prices of eggs are likely to show some seasonal improvement in the next several months, but will remain below year ago levels. Broiler prices will rise sharply after mid-July as a result of the summertime peak in consumer demand and the reduced supply of broiler chickens in prospect for late July and August marketing.

Domestic disappearance of food fats is about 5 percent higher than last year, but supplies will continue to be record large and prices are likely to continue to average below those of the summer of 1958.

Corn prices are expected to decline seasonally from mid-summer to November, while prices of oats, barley and sorghum grains also are expected to decline with the beginning of the 1959 harvest.

Wheat prices are not likely to fall as far below the support level as last year because of reduced production and a smaller quantity of ineligible wheat for price support and adequate storage space.

Early June estimates indicate that production of early summer vegetables for fresh market, excluding melons, will be somewhat larger than in 1958, but prices are expected to average near those of last year. Potato prices are likely to remain at relatively high levels during the next few weeks as supplies continue significantly smaller than last year.

Carryover of cotton on August 1, 1959 probably will total about 8.8 million running bales, approximately 100,000 bales above the level of a year ago.

GENERAL BUSINESS CONDITIONS

Business activity increased generally in May and early June. Prices were steady, industrial output increased and unemployment fell below 5 percent of the civilian labor force for the first time since November 1957.

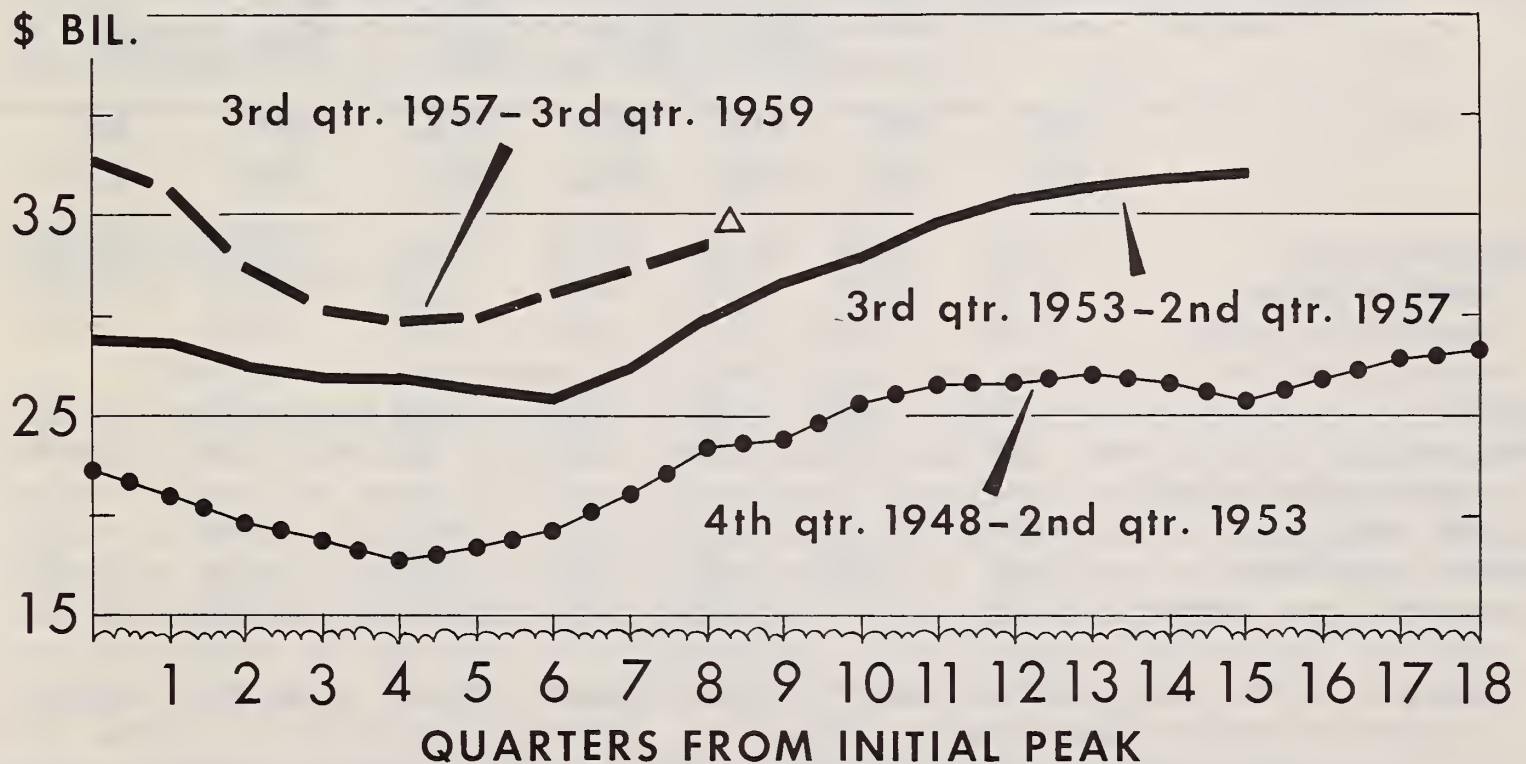
A notable exception to the general rise in exports, which in the first 10 months of fiscal 1958-59 were 9 percent below the same period a year earlier.

Business Investment

Businessmen have increased their capital spending plans as the recovery has broadened, and optimism about the business outlook improved. Plant and equipment expenditures in the current quarter are now estimated at an annual rate of \$32.3 billion, up 9 percent from the low in the third quarter of 1958, according to the survey conducted in late April and in May by the Securities and Exchange Commission and the Department of Commerce. Anticipated spending in July-September is expected to reach a level of \$33.4 billion, up 13 percent from a year ago. Plant and equipment expenditures in 1959 are now estimated to total \$32.6 billion up \$800 million from the estimate made in January-March.

PLANT AND EQUIPMENT SPENDING

During 3 Post-War Business Cycles



△ 3RD QUARTER ANTICIPATED.

QUARTERLY DATA SEASONALLY ADJUSTED AT ANNUAL RATES.

DEPARTMENT OF COMMERCE AND SECURITIES EXCHANGE COMMISSION.

In each of the three post-war cycles in capital spending, expenditures declined about a fifth from the initial peak to the trough. The declines of 1948-49 and 1957-58 lasted about a year and that of 1953-54 about a year and half. The recovery from the 1957-58 recession has been about as fast as in the other post-war cycles (chart 1).

Anticipated spending by manufacturing firms in the third quarter of 1959 will be about 18 percent above a year earlier with gains in both durable and nondurable goods industries. Most groups are increasing their capital outlays but the percentage gains in textiles, machinery and automobiles are the largest. Among the nonmanufacturing groups, spending will be higher than last year in mining, transportation, and commercial firms but a small decline in public utilities is scheduled (table 1).

Table 1.--Expenditures for new plant and equipment by United States business for 1958-59 and by quarters from July 1958 to date, seasonally adjusted at annual rates

Item	1958	1959 1/	1958		1959		
			July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June 1/	July- Sept. 1/
			Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Manufacturing	11.43	12.40	10.86	10.58	11.20	11.95	12.82
Durable goods	5.47	6.01	5.16	4.86	5.26	5.75	6.31
Nondurable goods	5.96	6.38	5.70	5.72	5.94	6.20	6.51
Mining	.94	.98	.88	.97	.95	1.02	.97
Railroad	.75	.87	.63	.58	.63	.99	1.07
Transportation other than rail	1.50	1.99	1.29	1.62	1.71	2.06	2.06
Public utilities	6.09	5.89	6.10	6.26	5.80	5.91	5.94
Commercial and other	9.81	10.44	9.85	9.96	10.33	10.36	10.53
Total	30.53	32.57	29.61	29.97	30.62	32.29	33.39

1/ Estimates are based on anticipated expenditures reported by business in late April and May 1959.

Securities and Exchange Commission and U. S. Department of Commerce.

A number of other developments indicate that capital spending plans are currently being revised upward. The McGraw-Hill index of new orders for machinery in April hit an all time high, up about 40 percent from a year earlier. Contract awards for industrial construction have recovered and are close to 1957 levels. Capital appropriations in the first quarter of 1959 were nearly 40 percent above a year ago, according to a survey of large manufacturing corporations conducted by the National Industrial Conference Board. This indicates a rise in outlays in late 1959 or early 1960 since appropriations usually lead spending by 6 to 9 months. Finally, a survey of manufacturers plans for plant and equipment spending conducted by the Federal Reserve Bank of Philadelphia in the Delaware and Lehigh Valleys (Eastern Pennsylvania, Western New Jersey and Northern Delaware) during the spring indicated a sharp pickup for 1959 in contrast with a decline indicated in an earlier survey.

The pickup in capital spending in part reflects the development of new processes and products. In 1958, research and development expenditures reached a record and are expected to rise further in 1959, based upon reports of business to McGraw-Hill. Another factor bearing on capital spending is the sharply improved profits of business since mid-1958. Corporate profits increased from an annual rate of \$31.7 billion in the first quarter of 1958 to \$45.2 billion in the final quarter of 1958. Retained earnings in the same periods have increased from \$3.0 billion to \$10.4 billion. And with a continued rise in production this year some further gains in profits have probably occurred. With an increased flow of funds from depreciation allowances, business is in a strong position to finance new capital spending.

Inventories up Sharply in April

Business has increased its inventories for the last 6 months as sales and new orders have risen sharply. The book value of manufacturing and trade inventories at the end of April, seasonally adjusted, were up \$900 million and back to about the same level as a year ago. Manufacturers' new orders and sales reached a new record in April; stocks during the month rose \$500 million. The gains were largest in metal using industries, but most of the other groups had increases. Retail sales in April were a record, and stocks were higher mainly because of the rise in automobiles. Stock-sales ratios have declined from the recession peak in early 1958. In manufacturing the ratios are below the levels in the 1955-57 period. At retail, stock-sales ratios increased only a little in early 1958 and have declined steadily since (Table 2).

Table 2.--Stock-sales ratios, manufacturing and retail, 1955-57
average and April 1958 and April 1959

Industry	1955-57 average	April 1958	April 1959
Manufacturing	1.85	2.06	1.68
Durable goods	2.15	2.55	1.93
Primary metals	1.69	2.63	1.56
Fabricated metals	2.08	2.25	1.91
Machinery	2.53	2.60	2.12
Transportation equipment	2.34	2.78	2.04
Motor vehicles and parts	n.a.	2.04	<u>1/</u> 1.25
Lumber and furniture	1.72	2.25	1.72
Nondurable goods	1.54	1.64	1.43
Food and beverage	1.12	1.10	1.06
Textile	2.34	2.56	1.98
Petroleum and coal	1.19	1.33	1.08
Rubber	2.18	2.44	<u>1/</u> 2.04
Retail	1.51	1.45	1.36
Durable	1.99	2.09	1.84
Automotive	1.39	1.62	1.40
Building materials and hardware	2.49	2.43	2.13
Home furnishings	2.30	2.26	2.10
Nondurables	1.25	1.16	1.11
Apparel	2.88	2.60	2.57
Food	.72	.70	.68
General merchandise	2.42	2.24	2.09

1/ March 1959.

Department of Commerce. Stock-sales ratios computed from seasonally adjusted data by Department of Agriculture, AMS.

Consumer Income and Demand

Personal income in May reached \$376.2 billion, up \$24.8 billion from a year earlier. Most of the \$3.0 billion increase between April and May was concentrated in wage and salary payments which reflected higher wage rates, longer hours and more employment. Per capita disposable real income has been increasing since the third quarter of 1958 and now is probably close to the peak level in the third quarter of 1957. The current rise in per capita real disposable income is the first since 1955. In 1956 and early 1957 real per capita incomes held steady, and they declined between the last half of 1957 and first half of 1958.

Consumers have increased their purchases, particularly of new homes and durable goods during the past year, reflecting an increase in their income and job prospects. Outlays for residential construction, which indicate the trend in housing purchases, in May were 31 percent above a year earlier. Retail sales of durable goods were 17 percent higher than May 1958.

The level of new housing starts in late 1958 and early 1959 reflected the increased demand for new homes. According to the recent Survey of Consumer Finances conducted by the Survey Research Center at the University of Michigan for the Federal Reserve Board, the proportion of "spending units" intending to purchase new homes rose sharply between early 1958 and early 1959. Contract awards in April indicate a higher housing activity in the coming months than was expected earlier. However, the recent further tightening of interest rates may tend to hold down the level of starts, which in May fell to an annual rate of 1,340,000, down from 1,390,000 in April. Federal Reserve Banks increased their rediscount rate to 3 1/2 percent during late May and early June.

Among the durable goods, consumers have increased their purchases of new automobiles the most. Dealers' sales of domestic automobiles in May totaled about 530,000 compared with 503,000 in April and 394,000 a year ago. Sales continued to improve during the spring and are currently the highest since March 1957. Retail sales of the furniture and appliance group in May were 3 percent above a year ago.

Consumers in the past year also have increased their purchases of non-durable goods and services, but by less than durable goods which were sharply curtailed during the 1957-58 recession. Retail sales of nondurable goods, seasonally adjusted, in May were 7 percent higher than a year earlier. Apparel stores sales in May were 5 percent above a year ago reflecting a pick-up in demand for clothing and shoes. Sales of the food group were up 1 percent from a year ago, but food prices are about 3 percent lower than last year. Among the other nondurable goods store groups general merchandise and gasoline service stations were 6 and 10 percent, respectively, above a year ago.

Consumer Prices up Slightly

Urban and rural consumer prices increased fractionally in May. Prices paid for family living items in mid-May had increased a point from a month earlier and equalled the previous highs established in 1958. Increases occurred in the cost of food and household operation; clothing prices were down a little from mid-April. The Bureau of Labor Statistics Consumer Price Index reached 124.0 in May (1947-49=100), a new record slightly above the previous peak in July and November 1958. The cost of services, which were up 2.0 percent from a year ago, continued to rise between April and May. Among the commodities, food prices were up slightly while other nondurables were unchanged. Prices of new cars declined while those for used cars continued to rise. Little change was reported in prices of other nondurable goods.

Consumer Credit Expands

The expansion in consumer installment credit, which started in late 1958, continued through April. During the month, consumer installment credit rose \$423 million, after seasonal adjustment, the largest monthly increase since 1955. In the first 4 months of 1959 consumer installment credit, seasonally adjusted, rose \$1.5 billion compared with a net decline of \$421 million in the same period in 1958. More than one-half of the rise in installment credit was to finance purchases of automobiles. Consumers also have expanded their borrowings for other consumer goods. Although consumer credit outstanding increased over \$2 billion in the past year, the ratio of credit to disposable income has declined from 14.1 percent in the first quarter of 1958 to 13.8 percent in the first quarter of 1959. The lower ratio in early 1959 reflects the marked improvement in incomes and indicates the generally favorable financial position of consumers this spring.

Production and Employment

Factory production and employment showed substantial improvement in May.

The Federal Reserve Board's index of industrial production reached 152 (1947-49=100), up 19 percent from a year ago and 4 percent above the level in early 1957. Durable goods output at 168 advanced to a new high. Both producer and consumer goods are substantially above the low levels of a year ago. Among the consumer durable goods, the index of automobile output advanced further, to 153, 4 percent more than in April. Further gains were made by other consumer durables. Machinery and fabricated metal products output also rose in May.

From April to May, production of steel rose a little with the operating rate 94 percent of capacity in the first part of June. High production of steel reflects the attempts of users to build up stocks in anticipation of a strike after the end of June. The primary metals index at 153 seasonally adjusted, was up $2\frac{1}{2}$ percent from April.

Nondurable goods production also increased in May, to a new high of 143, as small gains were registered by most industries.

Unemployment the Lowest
in 18 Months

Civilian employment increased by about 1 million in May to 66 million, while unemployment fell to an 18-month low of 3.4 million. The gain in employment resulted from an unusually large pickup in "hard goods" manufacturing and a seasonal increase in agriculture. Agricultural employment rose seasonally by 550,000 in May to 6.4 million, accounting for about half of the rise in employment. Although the seasonally adjusted rate of unemployment dropped to 4.9 percent of the labor force in May, it is still higher than the pre-recession level of 4 to 4½ percent (table 3). The number of long-term unemployed persons, 15 weeks or longer, in May was estimated to be 1.1 million, compared with the recession high of 1.9 million in April 1958. Although this is about 600,000 persons lower than that in May 1958, it is still more than one third above the May 1957 level.

Table 3.--Civilian labor force, employment and unemployment
1948 and 1958, and May 1958 and 1959

Group	: 1948	: 1958	: Change : : 1958 : : from : : 1948 :	: May : : 1958 :	: May : : 1959 :	: Change : : May 1959 : : from : : May 1958 :
	: <u>Mil.</u>	: <u>Mil.</u>	: <u>Mil.</u>	: <u>Mil.</u>	: <u>Mil.</u>	: <u>Mil.</u>
Civilian labor force	: 61.4	: 68.6	: 7.2	: 69.0	: 69.4	: .4
Employment	: 59.4	: 64.0	: 4.6	: 64.1	: 66.0	: 1.9
Agricultural	: 8.0	: 5.8	: -2.2	: 6.3	: 6.4	: .1
Nonagricultural	: 51.4	: 58.1	: 6.7	: 57.8	: 59.6	: 1.8
Unemployment	: 2.0	: 4.7	: 2.7	: 4.9	: 3.4	: -1.5
Percent of civilian labor force	: 3.4	: 6.8	: 3.4	: 7.1	: 4.9	: -2.2

U. S. Department of Commerce.

The workweek in nonagricultural industries averaged 40.4 hours in May, compared with 40.0 hours a year ago. Weekly earnings of factory workers averaged \$98 in the durable goods industries and \$80 in the nondurables. This compares with \$88 and \$74, respectively, for May 1958.

Trends in Farm and Nonfarm
Employment since 1948

Civilian employment increased from 59 million to 64 million, or approximately 8 percent during the last decade, 1948 to 1958. In the same period, the total civilian labor force rose from 61 million to 69 million, a 13 percent rise. Part of the larger increase in the civilian labor force reflects a business cycle peak in late 1948 and a low in the spring of 1958. Unemployment averaged 3.4 percent of the labor force in 1948 compared with 6.8 percent in 1958. Employment in nonindustrial activities increased substantially; it remained virtually stable in manufacturing and declined in mining, agriculture and transportation and public utilities (table 4).

The proportion of farmers in the labor force declined from almost 18 percent in 1948 to about 12 percent in 1958. At the end of World War I, farm labor accounted for nearly one third of the total labor force. Use of more machinery, fertilizers, better seed and other technological improvements have contributed to the reduction in labor requirements in agriculture. The number of farms also has decreased and economies of scale have resulted in greater efficiency in use of labor. In 1958 farmers produced a record output with a much smaller volume of labor than formerly.

Table 4.--Number employed in agricultural and nonagricultural establishments by industry, 1948 and 1958, annual average

Industry	1948	1958	Percentage change 1958 from 1948
	Thousands	Thousands	Percent
Farm employment <u>1</u> /	10,363	7,525	-27.4
Nonfarm employment <u>2</u> /	44,448	50,543	13.7
Industrial:			
Manufacturing	15,321	15,468	1.0
Mining	982	721	-26.6
Transportation and public utilities	4,141	3,903	-5.7
Contract construction	2,169	2,648	22.1
Total industrial employment	22,613	22,740	0.6
Nonindustrial:			
Wholesale and retail trade	9,519	11,141	17.0
Finance, insurance, and real estate	1,741	2,374	36.4
Service and miscellaneous	4,925	6,395	29.8
Government	5,650	7,893	39.7
Total nonindustrial employment	21,835	27,803	27.3

1/ Agricultural Marketing Service. 2/ Bureau of Labor Statistics.

Among nonfarm industries, declining employment in public utility firms also reflects increased productivity and economies of scale. Economies in transporting goods and a shift to the use of private automobiles are responsible for a substantial decline in employment in this group of industries. Efficiencies in coal extraction and rapidly rising competition from the less labor intensive petroleum and natural gas industry have contributed to the drop in the number of workers in mining.

Although employment in manufacturing has remained quite stable during the last decade, a shift in employment has occurred within the manufacturing industry. After World War II, the proportion of workers engaged in non-production activities in factories began to increase while the proportion of production workers declined. This difference in trend reflects heavy investment in new plant and equipment and widespread research and development activities. A rising demand for engineers, scientists, and technicians, as well as additional requirements for clerical, professional and sales employees, has accompanied the upward trend in investment.

Nonindustrial employment totaled 22 million in 1948 compared with 28 million in 1958. The rise is primarily the result of rising incomes which have increased the demand for services. Increased employment by Government reflects greater defense needs, education and other public programs.

Foreign Developments

Economic recovery has resulted in rising demands in most domestic markets, but foreign demand for United States products continues to lag. United States exports totaled \$14.3 billion through the first 10 months of fiscal 1958-59, 9 percent below the \$15.7 billion for the comparable period a year earlier. April 1959 exports of \$1.5 billion were approximately the same as last April, but about \$600 million below the all-time high of \$2.1 billion reached in March 1957. The lag in exports is attributable primarily to reduced shipments of metals and manufactures, nonmetallic minerals, automobiles and parts and cotton.

United States imports thus far in fiscal 1958-59 are about 7 percent above last year. Through April 1959, imports totaled \$11.3 billion compared with \$10.6 billion the year before. The increase is a result of larger purchases of merchandise, principally automobiles, industrial materials and some agricultural commodities, such as sugar, tobacco, cattle and meat. Consumer demand was well maintained during the recession and imports of merchandise continued upward through that period and the subsequent recovery. Imports of industrial materials, which are highly sensitive to declines in industrial activity, fell during the 1957-58 recession, but rose with the pick-up in economic activity. Higher petroleum imports in late 1958 and early 1959 reflected the expected mandatory import quotas imposed in March 1959.

The U. S. Share of
World Trade

A decrease in exports also occurred, but to a lesser extent, in other free world nations. In 1958, world exports totaled \$96 billion, \$5 billion less than the record high of the previous year. The United States accounted for approximately 60 percent of the decline, the Sterling Area 24 percent, and Latin America 10 percent. Exports from Continental Europe, Canada and Japan remained virtually stable.

Table 5.--Trade and industrial production of selected countries
1950-54 average, 1956-58 annual

Year and country	Export balance			Industrial production 1953=100
	Exports	Imports	Balance	
	(f.o.b.)	(c.i.f.)		
	Bil. dol.	Bil. dol.	Bil. dol.	
United States				
1950-54	14.28	11.20	3.08	92
1956	19.10	13.80	5.30	107
1957	20.86	14.30	6.56	107
1958	17.86	13.99	3.87	100
Canada				
1950-54	4.18	4.25	-0.07	93
1956	5.29	6.27	-0.98	120
1957	5.46	6.35	-0.89	120
1958	5.44	5.79	-0.35	117
United Kingdom				
1950-54	7.37	9.46	-2.09	98
1956	9.29	10.88	-1.59	113
1957	9.68	11.40	-1.72	115
1958	9.40	10.58	-1.18	114
West Germany				
1950-54	3.82	3.67	0.15	92
1956	7.36	6.62	0.74	138
1957	8.58	7.50	1.08	146
1958	8.81	7.36	1.45	151
France				
1950-54	3.78	4.00	-0.22	99
1956	4.54	5.56	-1.02	133
1957	5.11	6.17	-1.06	145
1958	5.12	5.60	-0.48	153
Japan 1/				
1950-54	1.27	1.96	-0.69	86
1956	2.50	3.23	-0.73	151
1957	2.86	4.28	-1.42	179
1958	2.88	3.03	-0.15	181

1/ Manufacturing production.

International Monetary Fund, International Financial Statistics, May 1959.

The large decline in United States exports resulted in a drop in the export surplus from \$6.56 billion in 1957 to \$3.87 billion in 1958. But this nation's export balance remained considerably greater than that of any other country in the free world (table 5). The other major industrial and primary producing countries, except Western Germany, continued to import more goods than they exported. However, most of the industrialized nations reduced their balance of trade deficits in 1958.

The United States share of world markets for manufactures, including steel and metals, declined further last year. While the total value of exports of manufactures from industrialized nations fell about 3 percent, from \$10.7 billion in 1957 to \$10.4 in 1958; the United States share dropped from 25.4 percent of the market to 23.1 percent. Western Germany's share rose from 17.5 to 18.6 percent. The position of the United Kingdom and Japan remained about the same, while France increased her share slightly. In 1958, United States exports to Canada, traditionally a large market for U. S. manufactures, declined sharply because of the recession. In addition, sales of United States steel to Western Europe and Japan dropped when demand eased because of the recession abroad.

This country's share of the world market for manufactures has been declining for several years. In 1950, the United States held 27.3 percent of the market. The advantage American goods had in foreign markets in the early postwar years has progressively narrowed as other industrialized countries improved technology and became better able to make prompt deliveries. From 1950 to 1958, industrial production rose by 110 percent in Western Germany, 223 percent in Japan, 76 percent in France and 21 percent in the United Kingdom compared with 19 percent in the United States. In addition, the volume of American-designed commodities produced in foreign countries by United States owned plants has increased. These products compete with exports from the United States. United States export prices for manufactures have risen somewhat more than those of Western Germany since 1953, but have not risen substantially more than those of the United Kingdom and France.

AGRICULTURAL EXPORTS

Exports of United States farm products totaled \$3.1 billion through April of the current fiscal year, 7 percent below a year ago. The total for the fiscal year ending June 30, 1959 is expected to be \$3.7 billion. This assumes that shipments in May and June average about \$300 million, slightly less than the monthly average of \$309 million recorded during the first 10 months of fiscal 1958-59.

Cotton has accounted for most of the decline in agricultural exports this year. Shipments of cotton through April, were approximately half those of the previous year, while exports of all other agricultural commodities

were 4 percent larger (table 6). Substantially lower prices for foreign cotton compared with corresponding qualities of United States cotton is among the important factors causing the drop in exports. Foreign free world production of cotton has been at record level, while consumption in the principal importing countries has declined. Many foreign-export competing countries have tried to increase exports by making special discounts and entering into trade agreements. Furthermore, many foreign importers are keeping their purchases of United States cotton at relatively low levels in anticipation of lower prices after August 1, 1959, as a result of a new export program. Reduction in exports of U. S. cotton has reduced total world trade, even though shipments from other major exporting countries have increased.

Among the other main agricultural commodities, about half are above the export levels of last year. Through April 1959, exports of food and feed grains and preparations, vegetables and preparations, animals, meat and meat products, vegetable oils and oilseeds, and tobacco were about \$200 million above those of the comparable period in fiscal 1957-58. An usually strong demand for feed grains, primarily barley and grain sorghums, in Europe continues to keep exports at a record level. Feed grain shipments through April were 34 percent above those of a year ago. Wheat and flour exports increased by about 6 percent, reflecting large exports under Title I to India, Brazil and Pakistan. Heavier Title I shipments have also spurred exports of edible vegetable oils. Part of the rise in soybean exports resulted from higher shipments to Japan after she broke trade relations with Communist China, a major soybean exporting country.

Shipments of fruits and preparations, animal fats and oils, hides and skins, and dairy products were almost \$70 million less than those of last year. Exports of hides and skins are down about 22 percent, principally because of a low rate of beef slaughter and relatively high prices in the United States. Shipments of dairy products and animal fats and oils are also being curtailed by a somewhat tight domestic supply and lower prices abroad. Increased foreign production of many fruits reduced the flow of fruits and preparations abroad by about 13 percent. Food for relief and charity abroad also dropped slightly.

Farm Exports Under Government Programs

Approximately 33 percent of agricultural exports during the first 9 months of fiscal 1958-59 were under Public Law 480 and Mutual Security compared with 28 percent a year ago. These Government-financed exports rose from \$845 million in 1957-58 to \$913 million this year, mainly as a result of increased shipments of wheat, barley, grain sorghums, soybean oil and tobacco. The importance of P.L. 480 and Mutual Security exports varies considerably among agricultural commodities. Through March 1959, exports under these programs accounted for 76 percent of total wheat exports, 86 percent of soybean oil, 64 percent of cotton and 69 percent of dairy products, but for only 19 percent of feed grain exports, 35 percent of rice and 8 percent of tobacco.

Table 6.--Agricultural exports, selected commodities
July-April 1957-58 and 1958-59

Commodity ^{1/}	Quantity			Value	
	Unit	1957-58	1958-59	1957-58	1958-59
				Mil. dol.	Mil. dol.
Barley, grain	Mil. bu.	67.6	97.1	67.3	110.4
Corn, grain	Mil. bu.	159.6	161.7	214.3	211.7
Grain sorghums	Mil. bu.	29.6	81.1	32.2	96.4
Oats, grain	Mil. bu.	19.0	23.4	10.7	16.6
Total, feed grain	Mil.sh.ton:	7.2	9.5	324.4	435.1
Wheat and wheat flour	Mil. bu.	313.4	345.0	558.3	593.9
Rice, milled	Mil. cwt.	9.9	10.2	80.9	77.0
Cotton, excl. linters	Mil. bales:	4.7	2.6	703.6	552.8
Tobacco, unmf.	Mil. lb.	416.5	422.6	302.2	312.8
Soybeans	Mil. bu.	76.2	84.7	185.2	195.5
Soybean oil	Mil. lb.	336.8	629.0	49.3	80.1
Cottonseed oil	Mil. lb.	276.8	206.6	43.8	25.9
Lard	Mil. lb.	330.8	371.6	45.8	45.5
Tallow, edible and inedible	Mil. lb.	921.8	916.6	81.6	76.9
Dairy products				94.1	70.5
Hides and skins				54.8	42.7
Meat and meat products				69.2	77.1
Vegetables and preparations				93.8	105.4
Fruit and preparations:				216.6	187.9
"Other"				425.9	411.3
Total Agricultural exports				3,329.6	3,090.4
Total exports				15,702.6	14,338.4

^{1/} Commodity totals exclude quantities and values exported "for relief and charity." These are included in totals and "other."

Derived from Bureau of Census data.

FARM PRICES AND INCOMES

Prices at the farm level as of mid-May averaged slightly higher than in April. The index of prices received by farmers rose one point over the month to 245 (1910-14=100). The price of potatoes nearly doubled which accounted for most of the rise in the index. A late spring crop about 10 percent smaller than last year's was the main factor in the sharp advance. Potato prices normally show little change from April to May. Higher prices for oranges, new crop watermelons and cantaloups, and cattle also contributed to the rise. Partial offsets were seasonal declines in milk and egg prices and a sharp drop in prices of tomatoes and onions. Tomato prices usually drop in May but shipments picked up more rapidly than in the past several years and prices fell much more than seasonally. Declines in onion prices were due to a substantial increase in the late spring crop compared with last year.

Farm Income

Cash receipts from farm marketings, including CCC loans, during the first 5 months of 1959 totaled \$11.7 billion, up about 2 percent from the corresponding 1958 period. The increase was accounted for by larger marketings, as prices averaged 3 percent lower. Receipts from livestock and products were \$7.5 billion, about 1 percent below a year earlier. Larger marketings were more than offset by sagging prices for poultry products and hogs. During the first 5 months of 1959, poultry products and hog prices averaged 16 and 22 percent lower, respectively, than in 1958. January-May receipts from crops were \$4.2 billion, about 7 percent above 1958. Crop prices were down about 3 percent, while marketings were up 10 percent. Grains and soybeans accounted for much of this increase in marketings.

Cash receipts from farm marketings in May 1959 are tentatively estimated at \$2.3 billion, not substantially different from a year earlier. Receipts from livestock and products were somewhat smaller and receipts from crops were a little larger. The preliminary estimate for livestock and products is \$1.6 billion and for crops, \$0.7 billion.

LIVESTOCK AND MEAT

Hog production continues to expand although the rate of increase is slowing down. The 1958 fall pig crop was 17 percent larger than the previous year's crop, the 1959 spring crop was up 12 percent, and producers plan for 8 percent more sows to farrow fall pigs than last fall. If these intentions are realized and the number of pigs saved per litter equals the average, with an allowance for trend, the fall crop is expected to be about 46 million head. The total number of pigs saved for 1959 would be close to 104.5 million compared with 95 million in 1958. A crop this size would be 16 percent above average and the largest since World War II.

Lower prices have resulted from the 14 percent larger hog slaughter to date this year than last. Prices were relatively steady, from mid-March to mid-June, averaging about \$16 at major mid-west markets. At mid-June no seasonal advance had begun, but some price strengthening is likely during the summertime slack in marketings. When the 1959 spring pigs come to market in volume, prices will decline seasonally. They will remain considerably below 1958 levels this summer and fall.

Withholding of cows and calves from slaughter for herd expansion continues to dominate the cattle outlook. Total slaughter is below last year because of reduced marketings of cows and calves. Marketings of fed steers and heifers have exceeded those of a year earlier and have made up an unusually large part of total receipts. Fed cattle slaughter will continue large this summer, averaging somewhat above last summer. Prices at mid-June were no more than \$1.00 per 100 pounds above prices a year before, with the lower grades up more than the higher. Unless slaughter of cows and grass cattle increases more than usual this summer and fall, which does not now seem likely, no great price changes are in view for fed cattle. Prices are expected to average near or a little above prices of a year earlier. Improvement of ranges in much of the West during May reduced the possibility of large-scale forced movement that would set off a price decline.

Some seasonal price decreases are in prospect for lambs as marketings from western ranges pick up, in contrast to relatively steady prices during much of the summer and fall of 1958. Relatively unfavorable experience with lamb feeding last fall will likely mean a higher proportion of these lambs will move to slaughter and less placed on feed. Lamb prices this summer and fall likely will be a little below 1958 prices.

DAIRY PRODUCTS

Production of milk passed the usual seasonal peak in early June. The decline to the seasonal low point next fall may be a little less than usual, as output may equal or slightly exceed year earlier levels in some months. In the first five months of 1959 milk production was 0.4 percent below that of a year earlier.

Withholding of beef cattle to rebuild herds has resulted in an increase in prices paid for lower grade cows. This has increased the incentive for dairymen to cull existing herds closely and to shift to beef or other enterprises. If withholding continues beyond 1959, it may modify milk production prospects. Stable prices for beef cattle would discourage a substantial increase in milk production in 1960. On the other hand, the longer the holding-back practice is continued, the more likely the eventual decline in beef prices will be sharp, as it was in the early 1950's. This could bring about a sharp increase in milk production at that time.

Retail prices for fluid milk have been relatively stable this year. With higher employment and real incomes than in 1958, total consumption of fluid milk shows more strength than it did at times last year. Total use of ice cream and other frozen desserts is up 6 to 8 percent from early 1958. Per-capita consumption of American cheese apparently continues at the high level of last year. Other items, including butter, appear to be close to year earlier levels.

Price support purchases of butter in May this year were somewhat less than a year earlier, while cheese purchases showed little change. The surplus of nonfat dry milk apparently is at least equal to last year's record, judging by production and price support purchases for both immediate and future delivery. Purchases of cheese dropped to 35 million pounds in the 1958-59 marketing year from 251 million a year earlier. Butter purchases totaled 150 million pounds compared with 215 million in 1957-58.

POULTRY AND EGGS

Prices received by farmers for eggs and poultry meat have improved in recent weeks. Egg prices have moved irregularly since mid-May when the U. S. average price to farmers was 25.1 cents per dozen, the lowest since 1941. The net change since mid-May has been upward, with the increase being particularly sharp around mid-June. Broiler prices in early June were about the lowest of the year to date, touching 14 cents as the daily price for the bulk of trading in North Georgia, and they too have since risen somewhat. Seasonally light sales of turkeys from farms included a large proportion of birds which had been used for breeding, and which typically sell for less than younger birds of equivalent weight. For broilers and turkeys, the mid-May 1959 prices received by farmers (with May 1958 prices in parentheses) were as follows: broilers, 16.0 cents per pound (20.3 cents); turkeys, 22.4 cents per pound (27.3 cents).

Some further seasonal improvement may occur for egg prices, but it is not likely to be sufficient to raise prices to year-ago levels. Despite successive monthly declines in 1959 egg production since the season peak in late March, production for some weeks will continue to outrun commercial disappearance.

Since October 1958 the Department of Agriculture has been making weekly purchases of egg solids (dried egg), and in June the purchase program was extended to frozen egg. To June 18 USDA purchases totaled 16.8 million pounds of egg solids, and 1.3 million pounds of frozen egg, with a total expenditure of \$20 million. These purchases were equivalent to slightly more than 1 percent of farm production of eggs during October-June.

Before the end of 1959, the laying flock is likely to decline to or below the corresponding 1958 level. Culling is expected to continue greater than last year. Beginning with May, hatchings of flock replacement chicks are

being sharply reduced; nevertheless, total egg production in the remaining months of the year is likely to exceed 1958 because of continuing high rates of lay.

Broiler prices are likely to rise sharply by the end of July from the low levels of early June. In mid-April settings of eggs in incubators dropped below the year before, and have continued generally 7-9 percent below 1958, as well as below the immediately preceding months. This will be reflected in reduced supplies of marketable broilers after mid-July when consumer demand is at its summertime peak.

Recent turkey marketings by farmers have been mostly of light-weight birds and of breeders. Heavy young birds -- particularly toms -- will not be ready for slaughter in large numbers for another month or two. Present supplies of heavy toms come from storage, and their price has risen sharply in the last two months, from 43-46 cents per pound at wholesale in New York for birds over 24 pounds on April 15 to 52-53 cents on June 8. Otherwise, however, prices for frozen turkeys are below the same time last year. Present cold storage stocks -- 67 million pounds on June 1 -- are 20 percent smaller than a year ago, and recent hatchery reports suggest that the number of birds to be slaughtered after September will be no larger than last fall.

OILSEEDS, FATS AND OILS

Domestic disappearance of food fats is running at a record level, up about 5 percent from a year ago, as the larger population is consuming an increased quantity per person. The sharpest increase in disappearance is for shortening, though margarine, direct use of lard, and salad and cooking oils also are up. Use of butter is about the same. As usual, some seasonal tapering off is likely during the summer.

Exports of food fats (including oil equivalent of soybeans) continue sharply above last year as more soybeans, edible oils and lard move out. Exports for the 1958-59 marketing year may set a new record of around 3.2 billion pounds, compared with 2.6 billion last year. The gain will reflect heavy shipments of edible oils under P. L. 480 as well as commercial exports of soybeans.

Despite higher total disappearance, carryover stocks of food fats (including the oil equivalent of soybeans) next October 1 will be up sharply from a year earlier because of the increased supply. Most of the increase in stocks will be in soybeans although more lard and vegetable oils likely will be on hand. These prospects indicate that prices of most edible oils and lard during the summer will continue to average below the summer of 1958.

Soybean crushings in October-May 1958-59 (May estimated) are placed at about 278 million bushels, around 40 million more than the previous year. Crushings for the entire 1958-59 season likely will set a new record

of about 400 million bushels, compared with 354 million last season. The heavy crush is being encouraged by the strong domestic demand for high-protein feeds, together with high takings of edible oils domestically and abroad.

Soybean crushing capacity this year is estimated at 450 million bushels. According to trade sources, expansions underway will boost capacity to 500 million bushels for the 1959 crop.

Soybean exports have moved at a record clip so far this season, and may reach a new peak of at least 100 million bushels for the entire 1958-59 marketing year. This is more than 15 million above the previous year. From October 1958 through mid-June about 83 million bushels (based in part on inspection data) were shipped out, compared with 67 million a year earlier. Principal takers continue to be Western Europe, Japan and Canada where there is strong demand for the bean protein as well as bean oil.

Availability of large supplies of soybeans at low prices this season is encouraging the heavy outward movement. Supplies from foreign soybean producing countries are relatively limited, while world demand continues strong. Other factors boosting our soybean exports are the sharply reduced availabilities of copra and coconut oil from the Philippines and Indonesia, short crops of sunflower seed and cottonseed due to floods in Argentina, and smaller exports of Chinese oils and oilseeds to free world countries. Furthermore, stocks of fats and oils in Western Europe were reduced in 1958. Large quantities will need to be imported if consumption is to be maintained.

Based on the above estimates of crushings and exports, the carryover of soybeans on October 1, 1959 would rise to around 65 million bushels, 45 million above a year earlier. This carryover would represent about 11 percent of the huge 1958 crop, but would be only enough to supply about two months' crush at current rates. Virtually all of the carryover of old crop beans will be held by CCC, except for resale beans.

Under stimulus of record exports and crushings, farm prices of soybeans have edged up gradually this season, from a low of \$1.89 per bushel in November to \$2.13 in May, averaging \$2.03 per bushel or about 5 cents below the same months a year earlier. Prices to farmers this summer probably will average a bit above the 1958 loan rate of \$2.09 per bushel, mainly reflecting CCC sales at support, plus 5 cents per bushel, plus carrying charges of 1.5 cents per month, or fraction of a month, beginning June 1.

CCC loans matured May 31 and about 80 million bushels of 1958 crop soybeans likely will eventually be acquired by the Corporation. Under the program, unredeemed warehouse-stored beans are taken over by CCC at maturity. Farmers may redeem farm-stored beans under loan or purchase agreement at any time prior to the actual delivery to CCC, which is usually within 60 days after the maturity date. Some of CCC beans will move into trade channels during the summer.

If another large crop is in prospect this fall, soybean prices later in the summer probably will begin adjusting to the lower 1959 soybean loan rate of \$1.85 per bushel. During the summer crushers and exporters of beans will tend to operate on a hand-to-mouth basis and reduce their inventories to a minimum. Another factor that will influence bean prices is CCC sales policy with respect to its inventory on and after October 1, 1959, expiration date for present sales policy.

FEED

Average prices received by farmers for feed grains rose another 2 percent from April to May, continuing the upward trend that started last November. In May they averaged 1 percent higher than a year earlier. Prices paid for all feeds purchased averaged slightly lower.

Corn prices, which have accounted for much of the over-all increase since last fall, leveled off in late May and early June. In the first half of June the price of No. 3 Yellow corn averaged \$1.29 per bushel at Chicago, 6 cents lower than a year earlier. Average prices of feed grains probably have reached the high for the current October-September feeding year. Prices of oats, barley and sorghum grain are expected to decline during the next few months as harvesting of the 1959 crop gets underway. Corn prices also are expected to decline seasonally from mid-summer to November. A national average support of \$1.12 per bushel is available to all producers this year. This is 6 cents higher than the support of \$1.06 per bushel to noncomplying producers in 1958, but 24 cents below the \$1.36 level to complying producers. With another big crop this year, corn prices at harvest time could again drop well below the support level to all producers as has been the case in a number of past years.

Prices of high-protein feeds declined 12 percent from January to May, when they averaged 1 percent lower than a year earlier. During the next few months prices of high-protein feeds may remain below the high level of a year earlier. Prices of high-protein feeds appear to be influenced by the much lower prices of poultry, eggs and hogs, even though more livestock and poultry are being fed this summer than last.

Through early June the 1959 growing season has been generally favorable for feed crops, although not quite as good as the excellent prospects in June 1958. Pastures averaged 87 percent of normal on June 1, compared with 88 percent a year ago, and 83 percent for the 1948-57 average for that date. Prospects for 1959 hay crops are about average. Corn planting was about 85 percent completed on June 1, somewhat less than last year, but near average for that date. Continuation of favorable prospects for 1959 crops, together with the record carryover, would result in another big feed supply for 1959-60.

Farmers placed a total of 22 million tons of 1958 feed grains under price support, slightly below the record tonnage in 1957-58. The 368 million bushels of corn placed under loan and purchase agreement through May 31 was about the same as in 1957-58, but 108 million bushels less than 2 years ago and well below the record of 551 million in 1948. A record quantity of oats was placed under price support, while the tonnage of barley and sorghum grain was below the record quantity in 1957-58.

WHEAT

The total wheat supply for the marketing year beginning July 1, 1959 is now estimated at a record 2,475 million bushels, 5 percent above the previous record a year earlier and 29 percent above the 1953-57 average. The increase results from a substantially larger carryover expected on July 1, 1959 than a year earlier, which much more than offsets the smaller crop in prospect.

The July 1, 1959 carryover is expected to be about 1,285 million bushels. The official estimate of stocks of old-crop wheat in all positions on July 1 will be released July 24. The bulk of the carryover will again be held by CCC.

The crop was forecast at 1,182 million bushels as of June 1. The supply estimate also includes an allowance for imports of about 8 million bushels, mostly of feeding quality wheat.

Domestic disappearance for 1959-60 is estimated at about 630 million bushels, slightly above the marketing year just ending. Exports are assumed at about 425 million bushels. This is less than the 450 million estimated for 1958-59 because of favorable crop prospects in importing countries. This would leave a carryover July 1, 1960 of about 1,420 million bushels, about 135 million bushels above the estimated carryover this July and a new record.

The average price received by farmers in mid-May was \$1.77 and the same as a month earlier, the highest for the marketing year. In mid-May a year ago it was \$1.93. Prices at terminal markets have declined generally since mid-May.

The decline in U. S. wheat prices to a low following the harvesting of the new crop is likely to be about seasonal this year. The support rate of \$1.81 for the 1959 crop is a cent below the support rate of \$1.82 for 1958-crop wheat. Moreover, the price is not expected to fall as far below the support level as it did last year and possibly not as far as on the average because: (1) Adequate storage space is available for loan wheat as the result of new construction; (2) production is less than last year; (3) production of wheat not eligible for price support will be reduced from the high level of last year. Prices are expected to strengthen after the heavy movement slackens following harvest, as in recent years.

On June 1, the Secretary of Agriculture proclaimed (1) marketing quotas on the 1960 crop, (2) a national wheat acreage allotment of 55 million acres, the minimum permitted by law and (3) set July 23, 1959 as the date to determine producer approval or disapproval of quotas. By joint resolution, Congress set June 1 instead of the usual May 15 deadline for the proclamations.

FRUIT

Prospects on June 1 for 1959-crop deciduous fruits were generally favorable, pointing to heavier production of most fruits than in 1958. The prospective increases are mostly in California. The 1959 crops of fresh plums and dried prunes in California and the U. S. crops of apricots and sour cherries are expected to be much larger than the 1958 crops, and the crops of pears and peaches are expected to be moderately larger. More apples are in prospect than last year. Prospects on June 1 for grapes were more favorable than last year in California but less favorable in New York. Lighter crops of sweet cherries and strawberries are estimated for 1959. In California, prospective production of walnuts is considerably smaller than the heavy crop last year, but prospects for almonds are unusually favorable. Condition of the new citrus crops for 1959-60 is generally good.

Harvest of early-season fruits in California and peaches in the 9 Southern States started a few days earlier than in 1958. With increased production of some other fruits, supplies on the fresh markets have increased faster than a year ago. This has resulted in shipping-point and terminal market prices for some fruits in late May and early June averaging somewhat below prices a year earlier. Even so, consumer demand for 1959 deciduous fruits is expected to continue strong. Demand for fruit for canning should be good, leading to some increase in the new pack.

Heavier supplies of oranges, mostly California Valencias, remain for use this summer than last. The 1958-59 California Valencia Crop is more than $1\frac{1}{2}$ times the light 1957-58 crop. Although most of the Florida crop had been harvested by June 13, the season this year will continue a few weeks longer than last year. With remaining supplies of California Valencias much heavier than a year ago, prices for these oranges can be expected to continue somewhat under the unusually high prices of 1958. Remaining supplies of Florida and California grapefruit in mid-June also were somewhat larger than a year earlier. Most of the fresh grapefruit and oranges during summer will come from California. Prices at this season usually are the highest of the year. Supplies of lemons, including those in storage, probably are much the same as a year ago. Supplies of Florida limes are larger.

A new record pack of approximately 75.8 million gallons of frozen orange concentrate had been made in Florida by June 6 as the 1958-59 season for making this product in this State was nearing the end. The new pack is 33 percent above the reduced 1957-58 pack and tops by 5 percent the previous record in 1956-57. The packs of frozen tangerine and grapefruit concentrate

in this State in 1958-59 also were up sharply. In contrast, output of canned single-strength orange juice was down 27 percent. On June 6, Florida packers' stocks of frozen orange concentrate were 35 percent larger than a year earlier, those of canned orange juice were 22 percent smaller. Retail prices of frozen orange concentrate probably will continue somewhat under the unusually high prices of 1958.

On June 1, as the 1959-60 season for processing deciduous fruits was getting under way, packers' stocks of 9 canned deciduous fruits combined were about 2 percent smaller than a year earlier. A considerable increase in the stocks of several items, particularly peaches and apple sauce, was more than offset by decreases in other items, especially apples, apricots and pears. Total stocks of frozen deciduous fruits and berries in cold storage were about 10 percent smaller than a year earlier. During May, stocks of frozen strawberries increased much less than in May 1958, and stocks of other items combined declined more than a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Estimates in early June indicate that production of early summer vegetables for fresh market, excluding melons, is likely to be moderately larger than last year, and about a fourth above the 1949-57 average.

Prospective production of early summer onions is up 28 percent from last year, and cucumbers up 9 percent. Indicated production of most other vegetables for early summer harvest is fairly close to that of a year earlier.

The total crop of summer lettuce is expected to be about a sixth larger than last year and a fourth above average. Practically all of the increase in lettuce over last summer is in California where expected yields are about a fifth higher than in 1958.

Cantaloup supply in early summer probably will be close to that of a year earlier. Prospective production of early summer watermelons is slightly above average, but substantially below the heavy production of 1958. The lighter supplies of watermelons are expected to move at prices substantially above the low levels of a year earlier. The large prospective supplies of onions and lettuce are expected to result in fairly low prices during the next few weeks. However, prices of fresh vegetables, excluding melons, are likely to average near those of a year earlier.

Prospective acreage of onions for late summer harvest is substantially larger than in 1958, while acreages of carrots and watermelons are almost a tenth smaller. Indications are that acreages of cabbage for both late summer and early fall harvest will be down 7 percent from a year ago.

For Processing

Production of vegetables for commercial processing is expected to be smaller than the very large production of 1958. Total reported and prospective acreage of 9 important vegetables for processing is only slightly below that of last year. However, acreage of tomatoes, a crop with relatively high yields per acre, is expected to be somewhat smaller. If yields by crops should be near the average of recent years, total production on the indicated acreage would be moderately smaller than in 1958, but moderately above the 1949-57 average.

Conditions for planting and growth of processing crops were generally favorable in early June. Delay in planting was confined, for the most part, to Oregon and Washington, Northern Michigan, parts of Wisconsin, and spots of Iowa and Minnesota.

POTATOES

Indicated production of potatoes for late spring harvest is down 7 percent from last year. Also shipments of old crop potatoes are smaller than a year earlier. Prices have moved up sharply in recent weeks, and in the weeks ended June 13, f.o.b. prices of Long Whites in Bakersfield, California averaged \$4.25 per hundredweight, about \$1.50 above that of mid-April and more than double the low price of a year earlier.

During the next few weeks potatoes are expected to continue in significantly smaller supply than in 1958; prices are likely to remain at relatively high levels and much above a year ago. Marketings from the smaller late spring crop have been at a more normal pace than the slow rate of a year ago, so that remaining supplies from that crop are substantially smaller than last year. Also, indicated production for early summer harvest is slightly smaller than a year ago.

COTTON

Disappearance during 1958-59 is currently estimated at about 11.5 million bales. Mill consumption in 1958-59 may reach 8.7 million bales, compared with 8 million last season. Mill margins are at their highest and the ratio of stocks of broadwoven goods to unfilled orders at the mill is at the lowest level in over 2 years, and the firming of cloth prices and demand is continuing. On the other hand, exports through April have been approximately half of last year. A total of around 2.8 million bales for the season is indicated compared with 5.7 million bales in 1957-58. As of June 1, CCC dispositions for export in 1958-59, including sales and registrations under the payment-in-kind program, amounted to about 2.7 million bales. Registrations under the 1959-60 export program, with an initial payment-in-kind rate of 8 cents per pound, totaled 434,000 bales as of June 12.

The total United States supply of all kinds of cotton in 1958-59 is about 20.3 million running bales. This includes the 1958 crop of 11.4 million bales, the carryover of 8.7 million bales and imports of around 140,000 bales. With disappearance estimated at 11.5 million bales, the indicated carryover on August 1, 1959 is 8.8 million bales, if pre-season ginnings remain unchanged from a year ago. The slight increase over a year earlier would reverse the 2-year decline. In contrast to a year earlier, the bulk of the carryover will be in Government hands.

Average prices received by farmers for upland cotton this season trended downward until mid-January when ginnings were nearly completed. In March and April, prices received rose more than seasonally. In May, a further increase in prices received reflected sales of relatively good grades of cotton redeemed from loans. The mid-May price of 31.82 cents per pound, equal to 83 percent of parity, was 2.72 cents above May 1958.

Market prices during the current season varied less than .65 cents but have been below a year ago since December. The average price of Middling inch cotton on the 14 spot markets in May 1959 was 34.62 cents, .12 cents below a year ago. During the first 2 weeks of June prices ranged between 34.55 and 34.63 cents. Prices for loan equities continued to range between \$2.00 and \$5.00 per bale, net to grower.

With market prices for the better grades of cotton generally below support, 6.8 million bales, or a record 60 percent, of the 1958 crop were placed under loan. As of June 12, redemptions reduced the total outstanding or under loan to about 6.2 million bales. A revised CCC sales catalog of reclassified stocks of 1957 and prior season upland cotton was issued on May 25. This cotton is being offered for sale bi-weekly under Sales Announcement No-C-5 and No-C-11 on the basis of its new classification and without an option by the purchaser to have the cotton reclassified. CCC sold 12,000 bales of cotton for unrestricted use under bids opened on June 1. This was the first substantial domestic (No-C-5) disposition from CCC inventories since December 1958.

Total CCC holdings on June 1, at 7.3 million bales were about 250,000 bales below a month earlier, reflecting loan redemptions, sales from inventory under the 1958-59 programs and cotton allocated for payments-in-kind. CCC will acquire title to all unredeemed loan stocks on July 31, when the 1958 loan matures.

Support prices by warehouse locations for Middling 1" cotton under the 1959-60 CCC purchase and loan programs were issued on June 1. The purchase price under the Choice A program will be 34.10 cents per pound for Middling 1" at average location. Purchase prices will range from a high of 35.11 cents in the concentrated mill area of the Carolinas to a low of 33.31 cents in Arizona and California. The loan rate under the Choice B program will be 28.40 cents, Middling 1" at average location. Loan rates will vary according to location from 29.41 cents in the mill area to 27.61 cents in Arizona and California. The differential from average location to the mill area is 101 points compared with 99 for the current season.

As a result of increases made to Choice B producers total allotments for the 1959 crop were increased from 16.3 to 17.3 million acres. Generally favorable weather for early growth and plant development has prevailed over most of the Belt.

WOOL

The downturn in the world wool demand and prices between mid-1957 and late 1958 has been reversed and significant improvements have occurred in recent months. The increased 1958-59 clip as well as stocks accumulated in producing countries are finding a ready market.

World wool production in 1958-59 is currently estimated at 5.2 million pounds, grease basis, 200 million pounds above the previous season. There was a corresponding increase in beginning stocks in Southern Hemisphere countries.

World market prices for wool advanced through April of this year. Average prices for Dominion wools, clean basis, which averaged 9 to 25 cents per pound above January, in April, remained unchanged in May. Current prices in major import markets are above year-earlier levels for the first time in nearly 2 years.

The firming of prices reflects a pick-up in mill consumption in major consuming countries, rebuilding of depleted inventories in anticipation of further increases in mill activity and prices and rather substantial purchases by the Soviet Union. Some softening of world prices from late April levels may be considered a temporary reaction to the preceding sharp rise and it has reflected stockpile dispositions in South Africa and New Zealand, the upward revision in the Australian and New Zealand production estimates and the seasonal deterioration in the quality of the offerings.

Boston quotations for domestic wools did not respond to stronger world prices until early in April, thus showing their usual lag in relation to prices in foreign markets. From early May through the second week in June the Boston quotations have ranged from 10 to 16 cents a pound, or 8 to 17 percent, above mid-January. The average price received by domestic growers for shorn wool in mid-May was 42.7 cents a pound, grease basis, 3.5 cents above April and 6.9 cents over May 1958. The firming of prices indicates that incentive payments for the 1959 clip will be well below the 85 million dollars estimated for the 1958 season.

The upturn in world wool consumption which began in the fourth quarter of 1958 continued into 1959. During January-March 1959, mill consumption in 10 countries which report to the Commonwealth Economic Committee, was 6 percent above a year earlier, reflecting higher consumption in the United States, the United Kingdom, Japan and Belgium. United States consumption of apparel wool

during January-April 1959 totaled 89 million pounds, scoured basis, 32 percent more than a year earlier. Consumption of carpet wool during the same 4 months totaled 59 million pounds, a striking gain of 70 percent. Total raw wool consumption during the first 4 months of 1959 of 148 million pounds was about 45 percent above a year earlier and about equal to total consumption during the first 4 months of 1957.

Following a substantial decline during most of 1958, imports began to increase in the final months of last year. During January-March 1959 imports for consumption, clean basis, totaled 88 million pounds or double a year earlier. Of the 43 million pound increase, 15 million represented dutiable wools.

Stocks were drawn down substantially in 1958 in order to meet current mill requirements. Commercial stocks of apparel wool in the United States on January 1, 1959 were 92 million pounds, scoured basis, about 23 million pounds below a year earlier. The stock-consumption ratio at the October-December rate of use, equal to 13.7 weeks' mill supply, was about 20 percent lower than on January 1, 1958. Subsequent re-stocking probably raised the ratio despite the great gain in apparel wool consumption. This is indicated by the rise in the ratio for carpet wool between January 1 and April 1, 1959 from 9.2 weeks' to 10.9 weeks' mill supply.

TOBACCO

Cigarette output during July 1958-June 1959 is estimated at about 480 billion or almost 7 percent greater than in 1957-58. This surpasses any previous fiscal or calendar year total. Available data indicate only a small percentage increase in the use of leaf tobacco for cigarettes from 1957-58 to 1958-59. A substantial reduction in tobacco requirements per unit of output has occurred in the last 5 or 6 years. The major reasons for this are: (1) The size of the tobacco column in the average cigarette has become smaller, especially with the tremendous increase in filter tip cigarettes and (2) important changes have occurred in tobacco technology, including the development of processed sheet tobacco and more extensive use of midribs of leaves (stems).

Total consumption of cigars and cigarillos (including that of overseas forces) in July 1958-June 1959 probably was near 6 3/4 billion--about 7 percent above a year earlier. A majority of large cigars and nearly all cigarillos are now made with processed binder sheet instead of natural leaf binders.

Production of smoking tobacco for pipes and "roll-your-own" cigarettes during the year ending June 30 is estimated at near 75 million pounds--about the same as in 1957-58. During 1957-58, consumption of smoking tobacco was on the increase, particularly when the effects of the recession were being felt the most. However, the level of output in the past 2 years has been 25 to 30 percent below that of 10 years ago.

Output of chewing tobacco in the year ending June 30 is indicated to be about 69 million pounds--2 percent lower than in 1957-58 and a new longtime low. But the 1958-59 output of snuff is estimated to have leveled off at about the 1957-58 figure of 35 million pounds. Snuff output dropped nearly 10 percent in the two previous years.

U. S. exports of unmanufactured tobacco in the year ending June 30, 1959 are estimated at about 475 million pounds, export weight (530 million pounds, farm-sales weight). This is virtually the same as in 1957-58 and also close to the average for the previous 10 years.

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